

DIRECT TESTIMONY  
of  
ERIC P. SCHLAF  
ENERGY DIVISION  
ILLINOIS COMMERCE COMMISSION

Docket No. 02-0657

February 20, 2003

1  
2 **Q. Please state your name and business address.**

3 **A.** My name is Eric P. Schlaf. My business address is 527 East Capitol Avenue,  
4 Springfield, Illinois, 62701.  
5

6 **Q. By whom are you employed and in what capacity?**

7 **A.** I am employed as an Economist in the Energy Division of the Illinois Commerce  
8 Commission ("Commission"). My primary responsibility is to provide  
9 recommendations to the Commission about issues connected with the  
10 implementation of the "Electric Service Customer Choice and Rate Relief Law of  
11 1997" (220 ILCS 5/16).  
12

13 **Q. Please state your educational background and professional experience.**

14 **A.** I obtained a B.A. in 1982 from the University of Illinois at Champaign-Urbana. I  
15 received an M.A. in Economics in August 1984 and a Ph.D. in Economics in June  
16 1991 from the University of Illinois at Chicago.  
17

18 I joined the Commission in March 1990, serving in the Least-Cost Energy  
19 Program. In March 1992, I moved within the Commission to the Office of Policy  
20 and Planning. The Office of Policy and Planning was subsequently merged into  
21 the Energy Division. I have also taught numerous courses in economics and  
22 statistics at the University of Illinois at Chicago, Roosevelt University, and the  
23 University of Illinois at Springfield (formerly Sangamon State University).  
24

25 **Q. Have you testified previously before this Commission?**

26 **A.** Yes. I have testified in approximately forty proceedings before the Commission,  
27 primarily on topics associated with the electric industry.  
28

29 **Q. What is the purpose of your direct testimony in this proceeding?**

30 **A.** I am commenting on Central Illinois Public Service Company's and Union Electric  
31 Company's ("Ameren" or "Company") proposed modifications to Rider PPOS –  
32 Power Purchase Option Service ("Rider PPOS") and Rider TC – Transition  
33 Charge ("Rider TC"), attached as Ameren Ex. 1.1 to Ameren witness Robert J.  
34 Mill's direct testimony that was filed on January 10, 2003 as Ameren Ex. 1.0.  
35

36 **Q. How did Ameren originally propose to modify Rider PPOS and Rider TC?**

37 **A.** In its Petition filed on October 1, 2002, Ameren proposed to modify Rider TC by  
38 suspending its transition charges for a period of two years, starting with the June  
39 2003 billing period. Transition charges would have been automatically reinstated  
40 in June 2005, and Ameren would have been entitled to impose transition charges  
41 on delivery services customers until the end of the mandatory transition period  
42 under Article XVI of the Public Utilities Act, which ends on December 31, 2006.  
43

44 Ameren also proposed to modify Rider PPOS by suspending its offering of Power  
45 Purchase Option ("PPO") service during the two-year transition charge  
46 suspension period. Its offering of PPO service would return in June 2005 for the  
47 remainder of the mandatory transition period.

48

49 **Q. What revisions to Rider PPOS and Rider TC are now being proposed by**  
50 **Ameren?**

51 **A.** The provisions in Rider PPOS and Rider TC entitling Ameren to  
52 automatically reinstate its transition charge and its offering of PPO service  
53 have now been deleted (Ameren Ex. 1.0, pp. 1-2). These provisions,  
54 which appear in both Rider PPOS and Rider TC, read as follows:

55           Upon the conclusion of the suspension period, this Rider shall become  
56           effective.

57

58 **Q. Why has Ameren proposed to delete the automatic reinstatement**  
59 **provisions of Rider PPOS and Rider TC?**

60 **A.** As Mr. Mill explains, subsequent to Ameren's original tariff filings, in its Order in  
61 Docket No. 02-0428, the Commission approved Ameren's proposed merger with  
62 Central Illinois Light Company (Ameren Ex. 1.0, pp. 1-2). One condition of  
63 approval of the Commission's Order requires Ameren to suspend its transition  
64 charge for a period of two years, starting in June 2003. This condition is  
65 designated as "Condition H".

66

Condition H reads as follows:

CILCO, AmerenCIPS and AmerenUE agree that they will eliminate transition charges in the period commencing June, 2003, through at least May, 2005. The ICC's acceptance of, this condition does not constitute an admission by any Party, or a finding by the ICC, that any provision of the Illinois Public Utilities Act, as presently effective, permits either CILCO, AmerenCIPS or AmerenUE to reinstate transition charges as of or after June 30, 2005 (Commission Order, Docket No. 02-0428, Appendix, p. 5).

**Q. What is your understanding of Condition H with respect to Ameren's right to impose transition charges on delivery services customers after June 2005?**

**A.** My understanding is that Condition H prohibits Ameren from automatically reinstating its transition charges. Rather, as I testified in Docket No. 02-0428, if Ameren wishes to reinstate transition charges in June 2005, it can only do so after Commission approval (see Commission Order, Docket No. 02-0428, p. 34).

**Q. Do you believe that Rider PPOS and Rider TC are consistent with Condition H of the Commission's Order in Docket No. 02-0428?**

**A.** No, I do not. Rider PPOS and Rider TC both contain a sentence that implies that transition charges and the PPO will be reinstated in 2005 unless Ameren petitions the Commission to have the suspension period extended. This is contrary to my understanding of the purpose of Condition H. The sentence reads as follows:

However, the company may, at anytime, in its discretion, seek an extension of the suspension period.

**Q. How should Rider TC be modified to express consistency with Condition H?**

**A.** As stated in Condition H, Rider TC should state that transition charges would be suspended until at least June 2005. I would add the underlined words in the sentence that begins "This tariff is suspended..." in two places, as shown below.

Additionally, Rider TC should clearly inform customers that transition charges will not return unless approved by the Commission. If transition charges are to return in 2005, Ameren should apprise customers of this plan several months prior to the re-imposition of transition charges.

Thus, I propose the following modifications to Rider TC:

This tariff is suspended for at least two consecutive years beginning with the June 2003 scheduled meter reading dates and continuing to at least the June 2005 scheduled meter reading dates. ~~However, the company, at any time, in its discretion, seek an extension of the suspension period.~~ Prior to June 2005, the Company may seek Commission approval to reinstate transition charges after June 2005. The Company will inform customers by [date] if the Company has received approval to reinstate transition charges after June 2005.

**Q. Should Rider PPOS be similarly modified to ensure consistency with Condition H?**

**A.** Yes. I propose the following modifications to Rider PPOS:

In conjunction with the suspension of the collection of transition charges pursuant to Company's Rider TC tariff, and in accordance with Section 16-110 of the Act (Act) 220 ILCS 5/16-110(b), this Rider is suspended for at

121 least two consecutive years beginning with the June 2003 scheduled  
122 meter reading dates and continuing to at least the June 2005 scheduled  
123 meter reading dates. However, the Company, at any time, in its  
124 discretion, seek an extension of the suspension period. Prior to June  
125 2005, the Company may seek Commission approval to reinstate transition  
126 charges after June 2005. The Company will inform customers by [date] if  
127 this tariff will become effective after June 2005.  
128  
129

130 **Q. Mr. Mill recommends that the Commission should determine in this**

131 **proceeding whether Ameren may reinstate its transition charges (Ameren**

132 **Ex. 1.0, p. 2). Do you have any comment on Mr. Mill's recommendation?**

133 **A.** Yes. I disagree with Mr. Mill's recommendation. First, I believe that it would be  
134 premature for the Commission to determine whether Ameren may reinstate its  
135 transition charges after June 2005. Pursuant to Condition H in Docket No. 02-  
136 0428, Staff and all other parties have the right to advocate a position with respect  
137 to the possible reinstatement of Ameren's transition charges. It is impossible for  
138 Staff to predict in February 2003 the market conditions in the future that will  
139 influence its position with respect to reinstatement of Rider TC in June 2005.

140  
141 Second, one implication of Mr. Mill's recommendation is that it would appear to  
142 allow Ameren, in its sole judgment, to determine at some future time whether  
143 transition charges should be reinstated in June 2005. Presumably, Ameren, as a  
144 rational profit-maximizing concern, would make this decision based on its own  
145 economic self-interest rather than on the basis of any consideration of the public  
146 interest. Allowing a utility to exercise this type of control over the retail electricity  
147 market in its service area would be unfair to Ameren's customers and other  
148 market participants.

149

150 **Q. Mr. Mill states that Ameren plans to notify customers of Ameren's**  
151 **suspension of Rider PPOS and Rider TC (Ameren Ex. 1.0, p. 3). Please**  
152 **comment.**

153 **A.** I think it is imperative that customers be informed of the Company's plans to  
154 suspend transition charges and PPO service. It is particularly important that  
155 Ameren inform current PPO customers that Ameren will not offer that service for  
156 at least two years, starting in June 2003. Thus, I have no objection to Ameren's  
157 plans, as described in Mr. Mill's direct testimony. However, I think the plans  
158 could be improved.

159

160 I recommend that Ameren send two letters to current delivery services customers  
161 notifying them of the suspension of the tariffs. The letters directed to PPO  
162 customers should explain that this service will not be offered beginning June  
163 2003 through at least June 2005 and therefore customers should choose a new  
164 supply option. Customers may choose to switch to a Retail Electric Supplier or  
165 take any Ameren power and energy service for which they qualify. PPO  
166 customers should also be informed that if they do not choose a new option by the  
167 date of the expiration of their service under Rider PPOS, then Ameren will place  
168 them on Rider ISS – Interim Supply Service ("Rider ISS"), as provided in that

tariff.<sup>1</sup> Staff would appreciate an opportunity to work with Ameren on the composition of these letters.

**Q. You stated that Rider ISS provides that Rider PPOS customers will be placed on Rider ISS if they do not choose a new supply option. Are there any alternatives to placing former Rider PPOS customers on Rider ISS?**

**A.** Yes. Ameren could place any Rider PPOS customer that does not choose a new supply option on Ameren's bundled service. This alternative would require a change to Rider ISS and possibly Rider PPOS. While this alternative would allow customers to avoid the higher-priced Rider ISS, this plan would require customers to remain on bundled service for 12 months. To mitigate this problem, customers placed on bundled service as a result of the termination of PPO service due to the suspension of transition charges could be allowed to switch to a Retail Electric Supplier within the ensuing 12 months.

**Q. Does this conclude your direct testimony?**

**A.** Yes.

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<sup>1</sup>See ILL. C. C. No. 14, 2<sup>nd</sup> Revised Sheet No. 15.002, which states that Ameren will provide Rider ISS "For a customer whose service under Rider PPOS has terminated, on the date of the scheduled meter reading that constitutes the end of any service period described in Rider PPOS."